

**COPPER COUNTRY COMMUNITY MENTAL
HEALTH SERVICES BOARD**

**FINANCIAL STATEMENTS AS OF
September 30, 2004**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name <u>Copper Country Mental Health</u>	County <u>Houghton</u>
Audit Date <u>9/30/04</u>	Opinion Date <u>12/16/04</u>	Date Accountant Report Submitted to State: <u>2/18/05</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <u>Anderson, Tackman & Co. PLLC</u>			
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Accountant Signature <u>Debera Hills, CPA</u>			

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Copper Country Community Mental Health
Services Board
Houghton, Michigan 49931

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of and for the year ended September 30, 2004 which collectively comprise the Board's basic financial statements, as listed in the foregoing table of contents. These financial statements are the responsibility of the Copper Country Community Mental Health Services Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of September 30, 2004, and respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2004 on our consideration of Copper Country Community Mental Health Services Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. This report can be found on pages 56 and 57.

Members of the Board
Copper Country Community Mental Health
Services Board
Houghton, Michigan 49931

The Management's Discussion and Analysis and the other required supplemental information on pages 6-11 and 34-36, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit for the purpose of forming an opinion on basic financial statements taken as a whole. The other financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Copper Country Community Mental Health Services Board. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 16, 2004

Copper Country Community Mental Health Services Board MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Copper Country Community Mental Health Services Board (the Board's) financial performance provides an overview of the Board's financial activities for the year ended September 30, 2004. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for the Board as a whole were reported at \$6,530,590 at September 30, 2004 and \$6,019,405 at September 30, 2003. Net assets are comprised of 100% governmental activities.
- During the year, the Board's expenses were \$15,206,140, while revenues from all sources totaled \$15,717,325, resulting in an increase in net assets of \$511,185.
- The general fund reported an increase in fund balance of \$499,723. Revenues were \$145,221 above budgeted amount of \$14,749,732 and expenditures were \$344,502 below budgeted amount of \$14,749,732.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Board's operations in more detail than the government-wide statements by providing information of the Board's most significant funds.

Reporting Copper Country Community Mental Health Services Board as a Whole

Our analysis of Copper Country Community Mental Health Services Board as a whole begins on page 8. One of the most important questions asked about the Board's finances is "Is the Board as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Board's *net assets* and changes in them. You can think of the Board's net assets – the difference between assets and liabilities – as one way to measure the Board's financial health, or *financial position*. Over time, *increases or decreases* in the Board's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Board's client base and the condition of the Board's capital assets, to assess the *overall financial*

Copper Country Community Mental Health Services Board
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) Continued)

health of the Board.

In the Statement of Net Assets and the Statement of Activities, we divide the Board into two kinds of activities:

- Government activities – All the Board's basic services are reported here including client services and general administration. Medicaid and Department of Community Health revenues and other state and federal grants fund most of these activities.
- Business-type activities- The Board currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services.

Reporting Copper Country Community Mental Health Services Board's Most Significant Funds

Our analysis of Copper Country Community Mental Health Services Board's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the Board as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Board has established other funds to help it control and manage money for particular purposes. The Board's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the Board's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Board's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Board charges customers for the services it provides – whether to outside customers or to other units of the Board – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use internal service funds (the only component of the Board's proprietary funds) to report activities that provide supplies and services for the Board's other programs and activities – such as Copper Country Community Mental Health Services Board's Employee Benefit Fund, Equipment Fund, Building and Grounds Fund, and Employee Health Benefits Trust Fund.

Copper Country Community Mental Health Services Board
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Copper Country Community Mental Health Services Board as a Whole
 Table 1 provides a summary of the Board's net assets at September 30, 2004 and 2003:

Table 1		
Net Assets		
	Governmental Activities	
	2004	2003
Current and restricted assets	\$7,218,763	\$5,343,305
Capital assets, net	3,110,904	3,338,742
Total Assets	10,329,667	8,682,047
Current liabilities	3,144,366	1,965,426
Noncurrent liabilities	654,711	697,216
Total Liabilities	3,799,077	2,662,642
Net Assets:		
Invested in capital assets, net of related debt	2,418,769	2,605,841
Unrestricted	4,111,821	3,413,564
Total Net Assets	\$6,530,590	\$6,019,405

Net assets of the Board's governmental activities stood at \$6,530,590. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$4,111,821.

The results of this year's operations for the Board as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2004 and 2003.

Table 2		
Changes in Net Assets		
	Governmental Activities	
	2004	2003
Revenues		
Program Revenues:		
Charges for services	\$1,731,731	\$1,712,616
Operating grants and contributions	11,567,768	10,782,539
General Revenues:		
State sources not restricted to specific program	2,310,726	2,290,956
Investment earnings	34,255	37,598
Miscellaneous	72,845	125,134
Total Revenues	15,717,325	14,948,843
Program Expenses:		
General government	14,825,371	14,185,262
Depreciation	380,769	414,671

Copper Country Community Mental Health Services Board
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	Governmental Activities	
	2004	2003
Total Expenses	\$15,206,140	\$14,599,933
Increase (decrease) in net assets	511,185	348,910
Net assets, beginning	6,019,405	5,670,495
Net Assets, Ending	\$6,530,590	\$6,019,405

The Board's program revenues were \$13,299,499. The total cost of all programs and services was \$15,206,140, leaving an excess expense of \$1,906,641 to be funded with general revenues. The increase in net assets for the year was \$511,185, representing the excess of general revenues over the net cost of programs and services. This increase is positive as it indicates that the Board was successful in administering its planned programming within all available sources of revenue. Additionally, it allows the Board to increase its unrestricted net assets that may be retained for use in future periods, if necessary.

Table 3 presents the cost of each of the Board's activities – General Government and Depreciation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the Board's operation.

Table 3
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
General Government	\$14,825,371	\$1,525,872
Depreciation	380,769	380,769
Totals	\$15,206,140	\$1,906,641

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD'S FUNDS

As Copper Country Community Mental Health Services Board completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$5,069,552, an increase of \$499,223 from the beginning of the year. The increase was mainly the result of the Board's operating departments achieving cost reductions and program efficiencies that had largely been implemented in the prior year.

General Fund Budgetary Highlights

During the year, the Board revised the budget. The primary purpose of the revision was to reallocate budgeted expenditures among specific program areas to more adequately fund the array of services based upon the demands and needs of the Board's consumers.

With these adjustments, actual charges to expenditures were \$354,502 lower than the final amended budget. Conversely, revenues were \$145,221 higher than the final budget projection.

Copper Country Community Mental Health Services Board
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the Board had \$3,110,904 invested in a variety of capital assets including buildings, vehicles and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End

	Governmental Activities	
	2004	2003
Land and construction in progress	\$404,835	\$404,835
Buildings	4,749,604	4,749,604
Equipment and furnishings	2,431,580	2,414,439
Accumulated depreciation	(4,475,115)	(4,230,136)
Total Net Assets	\$3,110,904	\$3,338,742

See Note E – Capital Assets for further details on capital assets.

Debt

At year-end, the Board had \$692,135 in notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2004	2003
Current maturities	\$37,424	\$35,685
Long-term maturities	654,711	697,216
Total Debt	\$692,135	\$732,901

There were no new additions to debt for this year.

See Note I - Commitments for further details on long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Copper Country Community Mental Health Services Board's appointed officials consider many factors when preparing their financial plan and setting the fiscal year 2005 budget. The Board is dependent upon the federal and state governments, primarily through the Medicaid program and direct appropriations, for the vast majority of its annual funding. This funding has been significantly constrained and influenced by economic conditions that have precipitated declining revenues at both the national and state levels. Compounding this challenge has been the added administrative, programming and cost burdens imposed by expanded Medicaid rules and conditions for funding, plus the cost of compliance with expanded regulatory demands, primarily at the federal level. An additional factor, not any less significant, is the rising cost of supplies, services and labor, particularly the escalating cost of providing reasonable and adequate health insurance for the Board's employees.

**Copper Country Community Mental Health Services Board
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

With these challenges and factors to manage, the Board has been able to concentrate its resources to achieve cost control and efficiency while continuing to meet the needs of its consumers, retain its highly-skilled and experienced employee base, and ensure current and future liquidity and long-term solvency through careful and prudent cash, debt and investment management. The Board maintains a strong position of net assets that helps ensure a continuity of services and that provides a critical layer of financial security in the event of significant variances, temporary deficits, or interruptions in funding.

**CONTACTING COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES
BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our clients, customers, and investors and creditors with a general overview of Copper Country Community Mental Health Services Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board's Executive Director at Copper Country Community Mental Health Services Board, 901 West Memorial Drive, Houghton, MI 49931.

Copper Country Community Mental Health Services Board

STATEMENT OF NET ASSETS

September 30, 2004

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,263,743
Receivables, net:	
Client fees	56,921
Other	316,341
Grants	13,195
Due from State of Michigan	62,229
Inventory	12,102
Prepaid expenses and other assets	37,049
Total current assets	<u>6,761,580</u>
Restricted assets	<u>457,183</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	404,835
Other capital assets	7,181,184
Accumulated depreciation	(4,475,115)
Total noncurrent assets	<u>3,110,904</u>
TOTAL ASSETS	<u>10,329,667</u>
LIABILITIES	
Current liabilities:	
Accounts payable	977,650
Due to State of Michigan	40,322
Advance State of Michigan	4,493
Accrued payroll and related	1,165,273
Accrued vacation and vested sick leave	398,224
Claims payable	483,247
Deferred revenue	37,733
Current maturities on debt	37,424
Total current liabilities	<u>3,144,366</u>
Noncurrent liabilities:	
Notes payable	654,711
Total noncurrent liabilities	<u>654,711</u>
TOTAL LIABILITIES	<u>3,799,077</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,418,769
Unrestricted	<u>4,111,821</u>
TOTAL NET ASSETS	<u>\$ 6,530,590</u>

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the year ended September 30, 2004

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

GOVERNMENTAL FUNDS
BALANCE SHEET

September 30, 2004

	General Fund	Institute Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,606,826	\$ 434,917	\$ 5,041,743
Accounts receivable:			
Client fees	56,921	-	56,921
Other	112,252	202,152	314,404
Federal grants receivable	13,195	-	13,195
Due from State of Michigan	14,423	47,806	62,229
Due from other funds	2,636,471	-	2,636,471
Inventory	12,102	-	12,102
Prepaid expenditures	35,101	453	35,554
Deposits	1,495	-	1,495
TOTAL ASSETS	<u>\$ 7,488,786</u>	<u>\$ 685,328</u>	<u>\$ 8,174,114</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts payable	\$ 607,762	\$ 50,043	\$ 657,805
Due to State of Michigan	40,322	-	40,322
Due to other funds	649,596	575,998	1,225,594
Accrued payroll and related	1,138,615	-	1,138,615
Advance State of Michigan	4,493	-	4,493
Deferred revenue	37,283	450	37,733
TOTAL LIABILITIES	<u>2,478,071</u>	<u>626,491</u>	<u>3,104,562</u>
FUND BALANCE:			
Unreserved	<u>5,010,715</u>	<u>58,837</u>	<u>5,069,552</u>
TOTAL FUND BALANCE	<u>5,010,715</u>	<u>58,837</u>	<u>5,069,552</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 7,488,786</u>	<u>\$ 685,328</u>	<u>\$ 8,174,114</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2004

Total Fund Balances for Governmental Funds \$ 5,069,552

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds (includes
capital assets of internal service funds).

Cost of capital assets	7,586,019	
Accumulated depreciation	<u>(4,475,115)</u>	
		3,110,904

Internal service funds are used by management to charge the cost
of building rental, equipment usage and employee benefits to the
General Fund. The assets and liabilities of the internal service funds
are included in governmental activities in the statement of net assets,
net of capital assets.

Current assets	2,264,935	
Restricted assets	457,183	
Current liabilities	<u>(3,717,273)</u>	
		(995,155)

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

(654,711)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 6,530,590

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended September 30, 2004

	General Fund	Institute Fund	Total Governmental Funds
REVENUES:			
Federal sources	\$ 47,432	\$ 43,485	\$ 90,917
State sources	13,563,462	57,660	13,621,122
Local sources	255,604	-	255,604
Charges for services	1,695,422	707,269	2,402,691
Contributions from private sources	73,685	-	73,685
Investment income	31,997	2,258	34,255
Other revenue	61,145	11,700	72,845
Less deductions from revenue:			
Contractual adjustments	(670,960)	-	(670,960)
Public Act 423 of 1980	(162,834)	-	(162,834)
TOTAL REVENUES	<u>14,894,953</u>	<u>822,372</u>	<u>15,717,325</u>
EXPENDITURES:			
Board administration	1,614,870	-	1,614,870
Mentally ill - children	1,027,871	-	1,027,871
Mentally ill - adults	5,455,141	-	5,455,141
Developmental disabilities	6,146,644	-	6,146,644
Prevention services	150,704	-	150,704
Other services	-	822,872	822,872
TOTAL EXPENDITURES	<u>14,395,230</u>	<u>822,872</u>	<u>15,218,102</u>
CHANGE IN FUND BALANCE	499,723	(500)	499,223
Fund balance, beginning of year	<u>4,510,992</u>	<u>59,337</u>	<u>4,570,329</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,010,715</u>	<u>\$ 58,837</u>	<u>\$ 5,069,552</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ 499,223
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. Includes Internal Service Funds depreciation expense of \$299,839.

Depreciation expense	380,769	
Capital outlays	<u>61,570</u>	(319,199)

The net effect of various transactions involving capital assets (disposal of minor capital assets and sales) is to decrease net assets.	(3,057)
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Internal service funds are used by management to charge the cost of building rental, equipment purchase and maintenance and employee benefits to the General Fund. The net revenue (expense) of the internal service funds is reported with governmental activities, net of depreciation expense.

Change in net assets	34,379	
Depreciation expense	<u>299,839</u>	334,218

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 511,185</u>
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Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

September 30, 2004

	Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,222,000
Accounts receivable	1,937
Due from other funds	1,040,998
Total current assets	<u>2,264,935</u>
Restricted assets:	
Cash and cash equivalents	<u>457,183</u>
Capital assets:	
Land	404,085
Construction in progress	750
Vehicles	1,028,087
Buildings and building improvements	4,749,604
Accumulated depreciation	(3,193,748)
Total noncurrent assets	<u>2,988,778</u>
TOTAL ASSETS	<u>5,710,896</u>
LIABILITIES	
Current liabilities:	
Accounts payable	319,845
Due to other funds	2,451,875
Accrued vacation and vested sick leave	398,224
Due to employees	26,658
Claims payable	483,247
Current maturities of long-term debt	37,424
Total current liabilities	<u>3,717,273</u>
Long-term liabilities:	
Notes payable	654,711
Total long-term liabilities	<u>654,711</u>
TOTAL LIABILITIES	<u>4,371,984</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,296,643
Unrestricted	(957,731)
TOTAL NET ASSETS	<u>\$ 1,338,912</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended September 30, 2004

	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 2,646,256
Contributions	2,991,734
Interest income	10,613
Reimbursements	39,318
TOTAL OPERATING REVENUES	<u>5,687,921</u>
OPERATING EXPENSES:	
Personnel services	4,807,057
Other services and charges	514,707
Depreciation	299,839
Interest expense	31,939
TOTAL OPERATING EXPENSES	<u>5,653,542</u>
OPERATING INCOME (LOSS)	<u>34,379</u>
NONOPERATING REVENUES:	
Gain on sale of assets	<u>-</u>
CHANGE IN NET ASSETS	34,379
NET ASSETS, BEGINNING OF YEAR	<u>1,304,533</u>
NET ASSETS, END OF YEAR	<u>\$ 1,338,912</u>

The accompanying notes to financial statements are an integral part of this statement.

Copper Country Community Mental Health Services Board

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended September 30, 2004

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees and charges for services	\$ 5,032,639
Interest received	10,613
Other operating expenses	(4,868,743)
Interest paid	(31,939)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>142,570</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net cash provided (used) to finance accrued vacation and vested sick leave	<u>7,493</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>7,493</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(94,418)
Proceeds on sale of assets	-
Proceeds on notes	-
Principle payments on debt	(40,766)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(135,184)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
(Increase) in restricted assets	<u>(1,128)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(1,128)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,751
Cash and cash equivalents, beginning of year	<u>1,208,249</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,222,000</u></u>
RECONCILIATION OF OPERATING (GAIN) LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net operating income (loss)	<u>\$ 34,379</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	299,839
Changes in assets and liabilities:	
Increase (decrease) in accounts receivable	(1,587)
Increase (decrease) in due from other funds	(643,082)
Increase (decrease) in prepaid expenses	-
Increase (decrease) in due to other funds	215,322
Increase (decrease) in due to employees	(81,505)
Increase (decrease) in accounts payable	224,125
Increase (decrease) in deferred revenue	-
Increase (decrease) in claims payable	95,079
TOTAL ADJUSTMENTS	<u>108,191</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u><u>\$ 142,570</u></u>

The accompanying notes to financial statements are an integral part of this statement.

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Copper Country Community Mental Health Services Board (the Board) is an autonomous entity, separate from the county governments which it services and accordingly consists of a separate set of self-balancing funds and accounts. The Board is, for financial reporting purposes, an Authority under the Michigan Mental Health Code (P.A. 290 of 1995). The accounting policies of the Board conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the Board as a whole. They include all funds of the Board. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. The Board currently does not engage in any business-type activities defined as activities financed by fees charged to external parties who use certain goods or services. Equity is classified as net assets and displayed in three components – invested in capital assets, net of related debt, restricted, and unrestricted.

Fund Financial Statements:

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories; governmental and proprietary categories. An emphasis is placed on major funds within the governmental category. The General Fund is always considered a major fund and the remaining funds of the Board are considered major if the total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds. The Board reports the Institute Fund as a major governmental fund in accordance with the criteria. The funds of the Board are described below:

Governmental Funds

General Fund - General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Institute Fund is a special revenue fund type.

Proprietary Funds

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Board, on a cost-reimbursement basis. The Employee Benefit Fund, the Equipment Fund, the Building and Grounds Fund, the Employee Health Benefit Trust Fund, and the Managed Care Specialty Services Program (MCSSP) Risk Reserve Fund are internal service type funds.

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified as net assets the same as in the government-wide statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- (b) The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are generally recognized when the related fund liability is incurred.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting - The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to October 1, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to October 1, the budget is legally enacted through the passage of a Board of Directors resolution.
- c. The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Directors must approve any revisions that alter the total expenditures of any fund.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Directors.
- e. Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Board because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpended appropriations lapse at the end of the fiscal year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents – For purposes of balance sheet classification and the statement of cash flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory – Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies.

Capital Assets – The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

In the government-wide financial statements, all capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. With purchases made after October 1, 2002, the Board defines capital assets as assets with an initial, individual cost of more than \$5,000.

Depreciation on all exhaustible capital assets is reported as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Vehicles and equipment	2-10 years
Buildings	20-25 years
Building Improvements	5-15 years
Land Improvements	10-15 years

The cost of normal maintenance and repairs is charged to operations as incurred. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

Accumulated Vacation and Vested Sick Leave – The Board's policies regarding compensated absences permits employees to accumulate earned but unused combined leave, annual leave and vested sick leave. The liability for these compensated absences is recorded in the government-wide and proprietary fund financial statements as it is incurred.

Long-Term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether it is reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The Board's long-term debt consists primarily of notes payable.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as in the government-wide statements.

Interfund Activity – During the course of its operations, the Board has numerous transactions between funds to finance operations, to provide services and to service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2004, balances of interfund accounts receivable or payable have been recorded in the fund financial statements. Interfund activity is eliminated in the government-wide financial statements.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Revenues – In the government-wide Statement of Activities, revenues are segregated by activity and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet criteria of program revenues, such as State funding and interest earnings.

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources, and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the Board's policy to use the restricted resources first.

Expenses/Expenditures – In the government-wide statements, expenses are segregated by activity and are classified by function. In the governmental fund statements, expenditures are classified by character such as current operations. In the proprietary fund statements, expenses are classified by operating and nonoperating and are sub-classified by function such as personnel services and other services and charges.

NOTE B - DEPOSITS AND INVESTMENTS:

At year-end, the Board's cash and cash equivalents were reported in the basic financial statements in the following categories:

Cash and equivalents	\$6,263,743
Restricted assets	<u>457,183</u>
	<u>\$6,720,926</u>

Cash and cash equivalents can also be summarized into the following categories:

Deposits:	
Demand accounts	\$ 23,707
Government trust funds	6,694,044
Imprest cash	<u>3,175</u>
	<u>\$6,720,926</u>

Deposits

All accounts are in the name of the Copper Country Community Mental Health Services Board. They are recorded in the Board's records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

1. Demand Accounts

At year-end, the carrying amount of the Board's demand account deposits was \$23,707 and the bank balance was \$75,017. Of the bank balance, approximately \$75,017 was covered by Federal Deposit Insurance Corporation (FDIC) Regulation number 330.8. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts:

- a. All demand, non-interest bearing accounts in the name of the authorized or statutory custodian of public funds.
- b. All savings deposits which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
- c. Each bookholder is insured pro-rata for the lesser of the amount on deposit in the debt retirement account or \$100,000. Each separate debt issue or debt series is similarly insured.
- d. The demand accounts and savings accounts as defined in items (a) and (b) above for those bank accounts in the name of a specific fund when all of the following criteria is applicable.

NOTE B - DEPOSITS AND INVESTMENTS (Continued):

1. The fund is created by a specific State statute.
2. The functions of the fund are specified by State statute.
3. Money is allocated by State statute for the exclusive use of that fund and statutory function.

2. Government Trust Funds

The deposits in government trust funds are invested in the U.S. Federated Government Trust, a mutual fund that invests solely in U.S. Government securities (treasury bills, bonds, and notes). Therefore, the carrying amount of \$6,694,044 at September 30, 2004 was fully backed by the U.S. Government under regulations applicable to U.S. Government securities.

Statutory Authority

Act 196, PA 1997, authorized the Board to deposit and invest in:

1. Bonds, securities, and other direct obligations of the United States or its agencies.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended.
3. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
4. United States government or Federal agency obligation repurchase agreements.
5. Banker's acceptance of United States banks.
6. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
7. Obligations of the State of Michigan or its political subdivisions which are rated investment grade.
8. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTE B - DEPOSITS AND INVESTMENTS (Continued):

The Board's investments are in accordance with statutory authority.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C - ESTIMATED AMOUNT DUE FROM (TO) MICHIGAN DEPARTMENT OF COMMUNITY HEALTH:

The estimated amount due (to) from the Michigan Department of Community Health represents the Board's cost settlement report of services and expenditures for the year ending September 30, 2004 in accordance with terms of the master contract. The reported costs related to such services are subject to review by the Department.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$2,636,471	Employee Health Benefits	\$175,000
		Building and Grounds Fund	1,885,473
		Institute Fund	575,998
Subtotal	<u>2,636,471</u>	Subtotal	<u>2,636,471</u>
Employee Benefit Fund	600,180	General Fund	649,596
Equipment Fund	49,416		
Subtotal	<u>649,596</u>	Subtotal	<u>649,596</u>
Employee Health Benefits	391,402	Employee Benefit Fund	391,402
TOTAL	<u>\$3,677,469</u>	TOTAL	<u>\$3,677,469</u>

All internal balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE E - CAPITAL ASSETS:

Capital assets relating to the Board are recorded at historical cost or estimated historical cost is actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital asset activity for the year ended September 30, 2004 is as follows:

NOTE E - CAPITAL ASSETS (Continued):

	Balance 10/1/03	Additions	Deductions	Balance 9/30/04
Capital assets not being depreciated:				
Land	\$ 350,498	\$ -	\$ -	\$ 350,498
Construction in progress	750	-	-	750
Capital assets being depreciated:				
Land improvements	53,587	-	-	53,587
Buildings and building improvements	4,749,604	-	-	4,749,604
Vehicles	1,049,649	94,417	115,979	1,028,087
Furniture and fixtures	<u>1,364,790</u>	<u>61,570</u>	<u>22,867</u>	<u>1,403,493</u>
Total Capital Assets	7,568,878	155,987	138,846	7,586,019
Less accumulated depreciation	<u>(4,230,136)</u>	<u>(380,769)</u>	<u>(135,790)</u>	<u>(4,475,115)</u>
Capital Assets, net	<u>\$3,338,742</u>	<u>(\$224,782)</u>	<u>\$ 3,056</u>	<u>\$3,110,904</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
General government	\$ 80,930
Internal service funds charge to above activities	<u>299,839</u>
TOTAL	<u>\$380,769</u>

NOTE F - UNPAID CLAIMS:

The Board estimates its liability for unpaid health insurance claims on the basis of the date the claim was incurred and historical experience. As of September 30, 2004 the amount of unpaid claims in the accompanying financial statements is \$483,247.

NOTE G - INTERNAL SERVICE FUND ACCRUED LIABILITIES:

Regular full-time employees annually earn 40 hours of sick leave, 40 hours of combined leave, and varying amounts of annual leave based on years of service. Fifty percent of sick leave is vested for employees who are 55 years old or have ten years of service. Combined and annual leave is vested when earned and may be accumulated up to 120 hours and 240 hours respectively. The amount of vested leave as of September 30, 2004 is as follows:

Sick leave	\$17,258
Combined leave	80,215
Annual leave	300,751
TOTAL	<u>\$398,224</u>

NOTE H - DEFERRED COMPENSATION PLAN:

The Board offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The Plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the Board's general creditors. Therefore, in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Therefore, the Board has no liability for losses under the Plan. The Plan's assets are held in a custodial account for the exclusive benefit of Plan participants and their beneficiaries.

NOTE I - COMMITMENTS:

The following is a summary of transactions for commitments under lease agreements and loans for facilities for the year ended September 30, 2004:

	Balance 10/1/03	Additions	Deductions	Balance 9/30/04
Mortgage Agreements	<u>\$732,901</u>	<u>\$ -</u>	<u>\$40,766</u>	<u>\$692,135</u>

Annual principal and interest requirements on commitments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 37,424	\$ 30,326	\$ 67,750
2006	39,187	28,604	67,791
2007	40,985	26,704	67,689
2008	42,818	24,691	67,509
2009	44,836	23,353	68,189
2010-2014	256,990	81,769	338,759
2015-2018	<u>229,895</u>	<u>19,833</u>	<u>249,728</u>
Totals	<u>\$692,135</u>	<u>\$235,280</u>	<u>\$927,415</u>

In May 2003, the Board entered into a 15 year mortgage agreement for financing Atlantic House and Quincy House and consolidating the remaining outstanding mortgages for Lakeside House, Stanton House, and the L'Anse facility. The agreement, effective May 1, 2003 and ending May 1, 2018, requires a monthly payment of \$5,649 with an interest rate of 4.50% to be adjusted on May 1, 2008 and again on May 1, 2013 to reflect a rate of interest equal to the lender's five-year commercial rate then in effect.

NOTE J - DEFERRED REVENUES:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The Board has reported as deferred revenue the amount of \$37,733 of which \$450 represents the uncompleted portion of grants, \$35,494 represents Medicaid savings under managed care, and \$1,789 represents other miscellaneous reimbursements.

NOTE K - MANAGED CARE:

Under the Specialty Community Mental Health Services and Supports Managed Care Contract with the Michigan Department of Community Health (MDCH), the MDCH provides the Board's state and federal share of Medicaid funds as a capitated payment based on a Per Eligible Per Month methodology for contractually identified and described covered services. Each month of the contract, the Board receives a prepayment based upon the number of eligibles for that month. In accordance with the contract, the Board may retain up to 5% of the prepayment as Medicaid savings which are allowed to be treated as local funds. The Medicaid savings must be included in a formal reinvestment strategy which must be directed to the Medicaid population and must be approved by the MDCH.

During the fiscal year 2004, there was not any Medicaid savings available from the previous year but there was \$35,494 of Medicaid savings generated and recorded as deferred.

The MCSSP Risk Reserve Internal Service Fund was established for the purpose of securing funds as part of the overall strategy for covering risk exposure under the MCSSP. As of September 30, 2004, a balance of \$-0- exists in this fund to cover risk exposure under MCSSP.

NOTE L - PUBLIC ACT 423 - SPECIAL GRANT FUND:

Act 423, P.A. 1980 was passed to provide a mechanism for assisting community mental health boards in all areas of the state to provide more comparable levels of service regardless of local economic conditions by redistributing local revenues collected from client services. Under the plan, participating boards deposit into the State's Act 423 Special Grant Fund all fees received from clients and third party insurers (except Medicaid). The money is then redistributed to the participating boards using a formula based partly on local economic conditions.

NOTE M - DEFINED CONTRIBUTION RETIREMENT PLAN:

The Board provides retirement benefits for eligible employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are generally eligible to participate after 1,000 hours and one year of service, and the Board will continue to make contributions until they have terminated employment. The plan is a non-contributory plan with the Board paying an amount equal to 7% of the compensation of all non-bargaining eligible employees and 4% of the compensation of all bargaining eligible employees.

NOTE M - DEFINED CONTRIBUTION RETIREMENT PLAN (Continued):

The contribution for each employee along with investment income allocated to the employee's account is immediately fully vested for all employees.

The Board's total eligible payroll in fiscal year 2004 was \$7,025,043. The Board's total contribution to the pension plan for fiscal year 2004 was \$407,486, which represents approximately 6% of the current year covered payroll.

NOTE N - PUBLIC ENTITY RISK POOL:

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in a public entity risk pool currently operating as a common risk management and insurance program. The Board pays an annual contribution to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of \$10,000 for each insured event.

The Board continues to carry commercial insurance for Physician Malpractice and all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE O - OWNERSHIP:

The Board's membership is currently divided in proportion to each county's population, based on the 2000 U.S. Census, and is approximately 65.63%, 15.94%, 4.19% and 14.24% for Houghton, Baraga, Keweenaw and Ontonagon Counties, respectively. The 2004 financial statements include 100% of the recorded assets of the Board.

NOTE P - BUDGETARY NONCOMPLIANCE:

Excesses of expenditures over the Board's budgeted amounts in individual government funds are as follows:

Institute Fund:	
Total Expenditures	<u>\$71,260</u>

REQUIRED SUPPLEMENTAL INFORMATION

Copper Country Community Mental Health Services Board

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the year ended September 30, 2004
With comparative actual amounts for the year ended September 30, 2003

	2004				2003
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
Federal sources:					
Grant projects	\$ 53,210	\$ 53,210	\$ 47,432	\$ (5,778)	\$ 49,935
State sources:					
Department of Community Health:					
Formula funding	2,350,337	2,410,420	2,310,726	(99,694)	2,290,956
Medicaid - Developmental Disabilities	7,549,882	7,818,856	8,079,340	260,484	7,417,678
Medicaid - Mentally Ill	2,788,831	2,865,322	2,917,796	52,474	2,751,641
Public Act 423 of 1980	165,739	165,739	162,834	(2,905)	166,375
Title XX Replacement	7,228	7,228	7,228	-	7,228
Department of Education	69,498	69,498	85,538	16,040	77,418
Local sources:					
County appropriations	255,606	255,606	255,604	(2)	255,604
Charges for services:					
Client fees except Medicaid	1,201,426	1,201,426	1,286,120	84,694	1,191,519
Sales	75,442	75,442	50,182	(25,260)	83,367
Other	417,374	417,374	359,120	(58,254)	416,178
Contributions from private sources	73,686	73,686	73,685	(1)	90,431
Investment income	34,000	34,000	31,997	(2,003)	33,903
Other revenues	25,736	25,735	61,145	35,410	20,384
TOTAL REVENUES	15,067,995	15,473,542	15,728,747	255,205	14,852,617
Less deductions from revenues:					
Contractual adjustments	(558,071)	(558,071)	(670,960)	(112,889)	(555,220)
Public Act 423 of 1980	(165,739)	(165,739)	(162,834)	2,905	(166,375)
NET REVENUES	14,344,185	14,749,732	14,894,953	145,221	14,131,022
EXPENDITURES:					
Board administration	1,444,381	1,518,631	1,614,870	(96,239)	1,348,244
Mentally ill - children:					
Community inpatient	93,000	105,750	83,737	22,013	57,607
State inpatient		32,400	23,795	8,605	-
State managed residential	20,000	75,000	66,829	8,171	-
Outpatient services	884,158	880,421	836,051	44,370	839,705
Respite residential	5,000	24,755	17,459	7,296	42,460
TOTAL MENTALLY ILL - CHILDREN	1,002,158	1,118,326	1,027,871	90,455	939,772

Copper Country Community Mental Health Services Board

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the year ended September 30, 2004
With comparative actual amounts for the year ended September 30, 2003

	2004				2003
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
Mentally ill - adults:					
Community inpatient	\$ 704,077	\$ 703,440	\$ 705,721	\$ (2,281)	\$ 579,304
State inpatient	340,000	350,000	299,583	50,417	241,986
Community residential	666,409	827,795	730,251	97,544	685,216
State residential	290,000	166,834	117,828	49,006	208,590
Crisis residential	176,576	238,386	194,400	43,986	176,564
Partial day services	1,357,592	1,425,635	1,455,342	(29,707)	1,326,257
Outpatient services	1,293,801	1,228,354	1,186,072	42,282	1,251,391
Case management	812,092	839,506	765,944	73,562	740,986
TOTAL MENTALLY ILL - ADULTS	5,640,547	5,779,950	5,455,141	324,809	5,210,294
Developmental Disabilities:					
Community inpatient	-	20,000	-	20,000	-
State inpatient	108,600	28,158	8,101	20,057	80,099
Community residential	4,061,101	4,290,539	4,293,238	(2,699)	4,057,491
State managed residential	203,250	189,400	190,368	(968)	193,138
Partial day services	543,176	492,493	495,279	(2,786)	501,951
Outpatient services	303,921	254,409	272,602	(18,193)	278,450
Case management	888,092	895,380	887,056	8,324	851,510
TOTAL DEVELOPMENTAL DISABILITIES	6,108,140	6,170,379	6,146,644	23,735	5,962,639
Prevention Services:					
Direct service models	60,934	59,598	57,498	2,100	54,155
Other service models	88,025	102,848	93,206	9,642	99,151
TOTAL PREVENTION SERVICES	148,959	162,446	150,704	11,742	153,306
TOTAL EXPENDITURES	14,344,185	14,749,732	14,395,230	354,502	13,614,255
NET CHANGE IN FUND BALANCE	-	-	499,723	499,723	516,767
Fund balance, beginning of year	4,510,992	4,510,992	4,510,992	-	3,994,225
FUND BALANCE, END OF YEAR	\$ 4,510,992	\$ 4,510,992	\$ 5,010,715	\$ 499,723	\$ 4,510,992

Copper Country Community Mental Health Services Board

INSTITUTE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL

For the year ended September 30, 2004
With comparative actual amounts for the year ended September 30, 2003

	2004				2003
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Actual GAAP Basis
	Original	Final			
REVENUES:					
State sources:					
Department of Community Health:					
Grant projects	\$ 57,660	\$ 57,660	\$ 57,660	\$ -	\$ 70,604
Federal sources:					
Grant projects	43,485	43,485	43,485	-	62,000
Charges for services:					
Other	634,767	634,767	707,269	72,502	576,772
Investment income	4,000	4,000	2,258	(1,742)	3,695
Other revenues	11,700	11,700	11,700	-	104,750
TOTAL REVENUES	751,612	751,612	822,372	70,760	817,821
EXPENDITURES:					
Administration	4,000	4,000	7,863	(3,863)	(1,662)
Training:					
Copper Country Mental Health	54,395	54,395	66,692	(12,297)	56,509
Consultation/sales	4,884	4,884	5,599	(715)	4,750
TOTAL TRAINING	59,279	59,279	72,291	(13,012)	61,259
Prevention:					
Copper Country Mental Health	47,834	47,834	24,011	23,823	53,916
Grants	398,844	398,844	430,291	(31,447)	157,304
Infant mental health	191,140	191,140	209,045	(17,905)	254,211
Special projects	38,815	38,815	69,293	(30,478)	211,388
Consultation/sales	-	-	1,095	(1,095)	2,001
TOTAL PREVENTION	676,633	676,633	733,735	(57,102)	678,820
EAP	-	-	16	(16)	15,020
HSCB	-	-	-	-	77,694
Copper Country Initiatives	11,700	11,700	8,967	2,733	10,592
TOTAL EXPENDITURES	751,612	751,612	822,872	(71,260)	841,723
NET CHANGE IN FUND BALANCE	-	-	(500)	(500)	(23,902)
Fund balance, beginning of year	59,337	59,337	59,337	-	83,239
FUND BALANCE, END OF YEAR	\$ 59,337	\$ 59,337	\$ 58,837	\$ (500)	\$ 59,337

OTHER FINANCIAL INFORMATION

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2004
With comparative amounts at September 30, 2003

ASSETS:

Current assets:

Cash and cash equivalents
Accounts receivable
Due from other funds

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals
				2004	2003
\$ 405,604 \$	27,508 \$	401,939 \$	386,949 \$	1,222,000	\$ 1,208,249
1,937	-	-	-	1,937	350
600,180	49,416	-	391,402	1,040,998	397,916
1,007,721	76,924	401,939	778,351	2,264,935	1,606,515

Total current assets

Restricted assets:

Cash and cash equivalents

457,183	-	-	-	457,183	456,055
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Capital assets:

Land
Construction in progress
Land improvements
Vehicles
Buildings and building improvements
Accumulated depreciation

-	-	350,498	-	350,498	350,498
-	-	750	-	750	750
-	-	53,587	-	53,587	53,587
-	1,028,087	-	-	1,028,087	1,049,649
-	-	4,749,604	-	4,749,604	4,749,604
-	(825,914)	(2,367,834)	-	(3,193,748)	(3,009,889)

Total capital assets

-	202,173	2,786,605	-	2,988,778	3,194,199
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TOTAL ASSETS

1,464,904	279,097	3,188,544	778,351	5,710,896	5,256,769
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Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2004
With comparative amounts at September 30, 2003

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals	
					2004	2003
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 240,960	\$ 63,590	\$ 15,295	\$ -	\$ 319,845	\$ 95,720
Due to other funds	391,402	-	1,885,473	175,000	2,451,875	2,236,553
Accrued vacation and vested sick leave	398,224	-	-	-	398,224	390,731
Due to employees	26,658	-	-	-	26,658	108,163
Notes payable - current maturities	-	-	37,424	-	37,424	35,685
Claims payable	-	-	-	483,247	483,247	388,168
Total current liabilities	1,057,244	63,590	1,938,192	658,247	3,717,273	3,255,020
Long-term liabilities:						
Notes payable	-	-	654,711	-	654,711	697,216
TOTAL LIABILITIES	1,057,244	63,590	2,592,903	658,247	4,371,984	3,952,236
NET ASSETS:						
Invested in capital assets, net of related debt	-	202,173	2,094,470	-	2,296,643	2,461,298
Unrestricted	407,660	13,334	(1,498,829)	120,104	(957,731)	(1,156,765)
TOTAL NET ASSETS	\$ 407,660	\$ 215,507	\$ 595,641	\$ 120,104	\$ 1,338,912	\$ 1,304,533

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	Employee				Totals	
	Employee Benefit	Equipment	Buildings and Grounds	Health Benefits	2004	2003
REVENUES:						
Operating revenues:						
Charges for services	\$ -	\$ 216,335	\$ 728,100	\$ 1,701,821	\$ 2,646,256	\$ 3,089,530
Contributions	2,991,734	-	-	-	2,991,734	3,371,367
Interest income	5,057	412	3,173	1,971	10,613	10,774
Reimbursements	39,318	-	-	-	39,318	99,180
Total operating revenues	3,036,109	216,747	731,273	1,703,792	5,687,921	6,570,851
EXPENSES:						
Operating expenses:						
Personnel services	3,010,608	15,685	109,425	1,671,339	4,807,057	5,860,868
Other services and charges	3,889	174,320	334,074	2,424	514,707	481,106
Depreciation	-	91,497	208,342	-	299,839	340,491
Interest expense	-	-	31,939	-	31,939	27,910
Total operating expenses	3,014,497	281,502	683,780	1,673,763	5,653,542	6,710,375
OPERATING INCOME (LOSS)	21,612	(64,755)	47,493	30,029	34,379	(139,524)
NONOPERATING REVENUES:						
Gain on sale of assets	-	-	-	-	-	27,988
CHANGE IN NET ASSETS	21,612	(64,755)	47,493	30,029	34,379	(111,536)
NET ASSETS, BEGINNING OF YEAR	386,048	280,262	548,148	90,075	1,304,533	1,416,069
NET ASSETS, END OF YEAR	\$ 407,660	\$ 215,507	\$ 595,641	\$ 120,104	\$ 1,338,912	\$ 1,304,533

Copper Country Community Mental Health Services Board
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	Employee Benefit	Equipment	Buildings and Grounds	Employee Health Benefits	Totals	
					2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from fees and charges for services	\$ 2,674,219	\$ 183,248	\$ 728,177	\$ 1,446,995	\$ 5,032,639	\$ 8,035,830
Interest received	5,057	412	3,173	1,971	10,613	10,774
Other operating expenses	(2,622,440)	(195,348)	(572,271)	(1,478,684)	(4,868,743)	(7,382,148)
Interest paid	-	-	(31,939)	-	(31,939)	(27,910)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	56,836	(11,688)	127,140	(29,718)	142,570	636,546
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Net cash provided (used) to finance accrued vacation and vested sick leave	7,493	-	-	-	7,493	12,752
NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES	7,493	-	-	-	7,493	12,752
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of capital assets	-	(94,418)	-	-	(94,418)	(356,639)
Proceeds from sale of assets	-	-	-	-	-	33,625
Proceeds on notes	-	-	-	-	-	299,120
Principal payments on debt	-	-	(40,766)	-	(40,766)	(118,347)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	-	(94,418)	(40,766)	-	(135,184)	(142,241)
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Increase) in restricted assets	(1,128)	-	-	-	(1,128)	(2,707)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,128)	-	-	-	(1,128)	(2,707)
NET CHANGE IN CASH AND CASH EQUIVALENTS	63,201	(106,106)	86,374	(29,718)	13,751	504,350
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	342,403	133,614	315,565	416,667	1,208,249	703,899
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 405,604	\$ 27,508	\$ 401,939	\$ 386,949	\$ 1,222,000	\$ 1,208,249
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ 21,612	\$ (64,755)	\$ 47,493	\$ 30,029	\$ 34,379	\$ (139,524)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	-	91,497	208,342	-	299,839	340,491
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	(1,704)	40	77	-	(1,587)	(350)
(Increase) decrease in due from other funds	(355,129)	(33,127)	-	(254,826)	(643,082)	1,476,103
(Increase) decrease in prepaid expenses	-	-	-	-	-	-
Increase (decrease) in due to other funds	254,826	-	(139,504)	100,000	215,322	(1,063,847)
Increase (decrease) in due to employees	(81,505)	-	-	-	(81,505)	102,430
Increase (decrease) in accounts payable	218,736	(5,343)	10,732	-	224,125	(28,657)
Increase (decrease) in deferred revenue	-	-	-	-	-	-
Increase (decrease) in claims payable	-	-	-	95,079	95,079	(50,100)
TOTAL ADJUSTMENTS	35,224	53,067	79,647	(59,747)	108,191	776,070
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 56,836	\$ (11,688)	\$ 127,140	\$ (29,717)	\$ 142,570	\$ 636,546

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF NET ASSETS
September 30, 2004
With comparative amounts at September 30, 2003

	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 405,604	\$ 342,403
Accounts receivable	1,937	233
Due from other funds	<u>600,180</u>	<u>245,051</u>
Total current assets	<u>1,007,721</u>	<u>587,687</u>
Restricted assets:		
Cash and cash equivalents	<u>457,183</u>	<u>456,055</u>
TOTAL ASSETS	<u>1,464,904</u>	<u>1,043,742</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	240,960	22,224
Due to other funds	391,402	136,576
Accrued vacation and vested sick leave	398,224	390,731
Due to employees	<u>26,658</u>	<u>108,163</u>
Total current liabilities	<u>1,057,244</u>	<u>657,694</u>
NET ASSETS:		
Unrestricted	<u>407,660</u>	<u>386,048</u>
TOTAL NET ASSETS	<u>\$ 407,660</u>	<u>\$ 386,048</u>

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
REVENUES:		
Operating revenues:		
Contributions	\$ 2,991,734	\$ 3,371,367
Interest income	5,057	5,796
Reimbursements	<u>39,318</u>	<u>99,180</u>
Total operating revenues	<u>3,036,109</u>	<u>3,476,343</u>
EXPENSES:		
Operating expenses:		
Personnel services	3,010,608	3,505,144
Other services and charges	<u>3,889</u>	<u>8,204</u>
Total operating expenses	<u>3,014,497</u>	<u>3,513,348</u>
OPERATING INCOME (LOSS)	21,612	(37,005)
NET ASSETS, BEGINNING OF YEAR	<u>386,048</u>	<u>423,053</u>
NET ASSETS, END OF YEAR	<u>\$ 407,660</u>	<u>\$ 386,048</u>

Copper Country Community Mental Health Services Board
EMPLOYEE BENEFIT FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 2,674,219	\$ 4,299,134
Interest received	5,057	5,796
Other operating expenses	<u>(2,622,440)</u>	<u>(4,039,827)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>56,836</u>	<u>265,103</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net cash provided to finance accrued vacation and vested sick leave	<u>7,493</u>	<u>12,752</u>
NET CASH PROVIDED FOR NONCAPITAL FINANCING ACTIVITIES	<u>7,493</u>	<u>12,752</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) in restricted assets	<u>(1,128)</u>	<u>(2,707)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,128)</u>	<u>(2,707)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63,201	275,148
Cash and cash equivalents, beginning of year	<u>342,403</u>	<u>67,255</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 405,604</u>	<u>\$ 342,403</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 21,612</u>	<u>\$ (37,005)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,704)	(233)
(Increase) decrease in due from other funds	(355,129)	828,820
Increase (decrease) in due to employees	(81,505)	102,430
Increase (decrease) in due to other funds	254,826	(591,910)
Increase (decrease) in accounts payable	<u>218,736</u>	<u>(36,999)</u>
TOTAL ADJUSTMENTS	<u>35,224</u>	<u>302,108</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 56,836</u>	<u>\$ 265,103</u>

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF NET ASSETS
September 30, 2004
With comparative amounts at September 30, 2003

	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 27,508	\$ 133,614
Accounts receivable	-	40
Due from other funds	<u>49,416</u>	<u>16,289</u>
Total current assets	<u>76,924</u>	<u>149,943</u>
Capital assets:		
Vehicles	1,028,087	1,049,649
Less accumulated depreciation	<u>(825,914)</u>	<u>(850,397)</u>
Total capital assets	<u>202,173</u>	<u>199,252</u>
TOTAL ASSETS	<u>279,097</u>	<u>349,195</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	<u>63,590</u>	<u>68,933</u>
Total current liabilities	<u>63,590</u>	<u>68,933</u>
NET ASSETS:		
Invested in capital assets	202,173	199,252
Unrestricted	<u>13,334</u>	<u>81,010</u>
TOTAL NET ASSETS	<u>\$ 215,507</u>	<u>\$ 280,262</u>

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 216,335	\$ 198,509
Interest income	<u>412</u>	<u>1,086</u>
Total operating revenues	<u>216,747</u>	<u>199,595</u>
EXPENSES:		
Operating expenses:		
Personnel services	15,685	15,320
Other services and charges	174,320	162,673
Depreciation	<u>91,497</u>	<u>140,530</u>
Total operating expenses	<u>281,502</u>	<u>318,523</u>
OPERATING INCOME (LOSS)	(64,755)	(118,928)
NET ASSETS, BEGINNING OF YEAR	<u>280,262</u>	<u>399,190</u>
NET ASSETS, END OF YEAR	<u>\$ 215,507</u>	<u>\$ 280,262</u>

Copper Country Community Mental Health Services Board
EQUIPMENT FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 183,248	\$ 253,843
Interest received	412	1,086
Other operating expenses	(195,348)	(176,657)
Interest paid	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(11,688)</u>	<u>78,272</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(94,418)	(65,934)
Principal payment on debt	-	-
Contributed capital	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(94,418)</u>	<u>(65,934)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(106,106)	12,338
Cash and cash equivalents, beginning of year	<u>133,614</u>	<u>121,276</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 27,508</u>	<u>\$ 133,614</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ (64,755)</u>	<u>\$ (118,928)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	91,497	140,530
Change in assets and liabilities:		
(Increase) decrease in due from other funds	(33,127)	55,374
(Increase) decrease in accounts receivable	40	(40)
Increase (decrease) in accounts payable	(5,343)	1,336
Increase (decrease) in due to other funds	<u>-</u>	<u>-</u>
TOTAL ADJUSTMENTS	<u>53,067</u>	<u>197,200</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (11,688)</u>	<u>\$ 78,272</u>

Copper Country Community Mental Health Services Board
BUILDINGS AND GROUNDS FUND
STATEMENT OF NET ASSETS
September 30, 2004
With comparative amounts at September 30, 2003

	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 401,939	\$ 315,565
Accounts receivable	<u>-</u>	<u>77</u>
Total current assets	<u>401,939</u>	<u>315,642</u>
Capital assets:		
Land	350,498	350,498
Construction in progress	750	750
Land improvements	53,587	53,587
Buildings and buildings improvements	4,749,604	4,749,604
Less accumulated depreciation	<u>(2,367,834)</u>	<u>(2,159,492)</u>
Total capital assets	<u>2,786,605</u>	<u>2,994,947</u>
TOTAL ASSETS	<u>3,188,544</u>	<u>3,310,589</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	15,295	4,563
Current maturities of long-term debt	37,424	35,685
Due to other funds	<u>1,885,473</u>	<u>2,024,977</u>
Total current liabilities	<u>1,938,192</u>	<u>2,065,225</u>
Long-term liabilities:		
Notes payable	<u>654,711</u>	<u>697,216</u>
TOTAL LIABILITIES	<u>2,592,903</u>	<u>2,762,441</u>
NET ASSETS:		
Invested in capital assets, net of related debt	2,094,470	2,262,046
Unrestricted	<u>(1,498,829)</u>	<u>(1,713,898)</u>
TOTAL NET ASSETS	<u>\$ 595,641</u>	<u>\$ 548,148</u>

Copper Country Community Mental Health Services Board
BUILDINGS AND GROUNDS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 728,100	\$ 624,100
Interest income	<u>3,173</u>	<u>2,370</u>
Total operating revenues	<u>731,273</u>	<u>626,470</u>
EXPENSES:		
Operating expenses:		
Personnel services	109,425	115,863
Other services and charges	334,074	308,229
Depreciation	208,342	199,961
Interest expense	<u>31,939</u>	<u>27,910</u>
Total operating expenses	<u>683,780</u>	<u>651,963</u>
OPERATING INCOME	47,493	(25,493)
NONOPERATING REVENUES:		
Gain on sale of assets	<u>-</u>	<u>27,988</u>
CHANGE IN NET ASSETS	47,493	2,495
NET ASSETS, BEGINNING OF YEAR	<u>548,148</u>	<u>545,653</u>
NET ASSETS, END OF YEAR	<u>\$ 595,641</u>	<u>\$ 548,148</u>

Copper Country Community Mental Health Services Board
BUILDINGS AND GROUNDS FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 728,177	\$ 624,022
Interest received	3,173	2,370
Other operating expenses	(572,271)	(430,129)
Interest paid	<u>(31,939)</u>	<u>(27,910)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>127,140</u>	<u>168,353</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(290,705)
Proceeds from sale of assets	-	33,625
Proceeds on notes	-	299,120
Principal payments on debt	<u>(40,766)</u>	<u>(118,347)</u>
NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(40,766)</u>	<u>(76,307)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,374	92,046
Cash and cash equivalents, beginning of year	<u>315,565</u>	<u>223,519</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 401,939</u>	<u>\$ 315,565</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 47,493</u>	<u>\$ (25,493)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	208,342	199,961
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	77	(77)
(Increase) decrease in due from other funds	-	-
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in due to other funds	(139,504)	(13,043)
Increase (decrease) in accounts payable	10,732	7,005
Increase (decrease) in deferred revenue	<u>-</u>	<u>-</u>
TOTAL ADJUSTMENTS	<u>79,647</u>	<u>193,846</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 127,140</u>	<u>\$ 168,353</u>

Copper Country Community Mental Health Services Board
EMPLOYEE HEALTH BENEFITS FUND
STATEMENT OF NET ASSETS
September 30, 2004
With comparative amounts at September 30, 2003

	<u>2004</u>	<u>2003</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 386,949	\$ 416,667
Due from other funds	<u>391,402</u>	<u>136,576</u>
TOTAL ASSETS	<u>778,351</u>	<u>553,243</u>
LIABILITIES:		
Current liabilities:		
Claims payable	483,247	388,168
Due to other funds	<u>175,000</u>	<u>75,000</u>
Total current liabilities	<u>658,247</u>	<u>463,168</u>
NET ASSETS:		
Unrestricted	<u>120,104</u>	<u>90,075</u>
TOTAL NET ASSETS	<u>\$ 120,104</u>	<u>\$ 90,075</u>

Copper Country Community Mental Health Services Board
EMPLOYEE HEALTH BENEFITS FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
REVENUES:		
Operating revenues:		
Charges for services	\$ 1,701,821	\$ 2,266,921
Interest income	<u>1,971</u>	<u>1,522</u>
Total operating revenues	<u>1,703,792</u>	<u>2,268,443</u>
EXPENSES:		
Operating expenses:		
Personnel services	1,671,339	2,224,541
Other services and charges	<u>2,424</u>	<u>2,000</u>
Total operating expenses	<u>1,673,763</u>	<u>2,226,541</u>
OPERATING INCOME (LOSS)	30,029	41,902
NET ASSETS, BEGINNING OF YEAR	<u>90,075</u>	<u>48,173</u>
NET ASSETS, END OF YEAR	<u>\$ 120,104</u>	<u>\$ 90,075</u>

Copper Country Community Mental Health Services Board
EMPLOYEE HEALTH BENEFITS FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 1,446,995	\$ 2,858,831
Interest received	1,971	1,522
Other operating expenses	<u>(1,478,684)</u>	<u>(2,576,641)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(29,718)</u>	<u>283,712</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (29,718)	 283,712
Cash and cash equivalents, beginning of year	<u>416,667</u>	<u>132,955</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 386,949</u>	<u>\$ 416,667</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 30,029</u>	<u>\$ 41,902</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in due from other funds	(254,826)	591,909
Increase (decrease) in due to other funds	100,000	(300,000)
Increase (decrease) in claims payable	<u>95,079</u>	<u>(50,100)</u>
TOTAL ADJUSTMENTS	<u>(59,747)</u>	<u>241,809</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (29,718)</u>	<u>\$ 283,712</u>

Copper Country Community Mental Health Services Board
MCSSP RISK RESERVE FUND
STATEMENT OF CASH FLOWS
For the year ended September 30, 2004
With comparative amounts for the year ended September 30, 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ -	\$ -
Interest received	-	-
Other operating expenses	-	(158,894)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	-	(158,894)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(158,894)
Cash and cash equivalents, beginning of year	-	158,894
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ -	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in due from other funds	-	-
Increase (decrease) in due to other funds	-	(158,894)
Increase (decrease) in accounts payable	-	-
TOTAL ADJUSTMENTS	-	(158,894)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ -	\$ (158,894)

Supplemental Reports



ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board
Copper Country Community Mental
Health Services Board
Houghton, Michigan 49931

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of and for the year ended September 30, 2004, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Copper Country Community Mental Health Services Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances of noncompliance or other matters are reported in Note P of these financial statements and described in a separate letter to management dated December 16, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Copper Country Community Mental Health Services Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that

Members of the Board
Copper Country Community Mental
Health Services Board

would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

December 16, 2004

**COPPER COUNTRY COMMUNITY MENTAL
HEALTH SERVICES BOARD**

**FEDERAL FINANCIAL ASSISTANCE
For the Year Ended September 30, 2004**

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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board
Copper Country Community Mental
Health Services Board
Houghton, Michigan 49931

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board as of and for the year ended September 30, 2004, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Copper Country Community Mental Health Services Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*. This instance of noncompliance is reported in Note P of the financial statements and is described in the accompanying schedule of findings and questioned costs as item 04-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Copper Country Community Mental Health Services Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that

To the Members of the Board
Copper Country Community Mental
Health Services Board

would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

December 16, 2004



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Members of the Board
Copper Country Community Mental
Health Services Board
Houghton, Michigan 49931

Compliance

We have audited the compliance of the Copper Country Community Mental Health Services Board with types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Copper Country Community Mental Health Services Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Copper Country Community Mental Health Services Board's management. Our responsibility is to express an opinion on the Copper Country Community Mental Health Services Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Copper Country Community Mental Health Services Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Copper Country Community Mental Health Services Board's compliance with those requirements.

In our opinion, the Copper Country Community Mental Health Services Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

To the Members of the Board
Copper Country Community Mental
Health Services Board

Internal Control Over Compliance

The management of the Copper Country Community Mental Health Services Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Copper Country Community Mental Health Services Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Community Mental Health Services Board, as of and for the year ended September 30, 2004, and have issued our report thereon dated December 16, 2004. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Copper Country Community Mental Health Services Board's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, the Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

December 16, 2004

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2004

Federal Grantor/Pass Through Grantor Program Title	Federal C.F.D.A. Number	Project Number	Project Period	Award Amount	Federal Expenditures
U.S. Department of Health & Human Services:					
Passed through the Michigan Department of Community Health:					
McKinney Homeless	93.150	20041351	10/1/03-9/30/04	\$ 53,210	\$ 31,722
OBRA	*	n/a	10/1/03-9/30/04	153,004	153,004
Child Care Consultation	93.575	20041472	10/1/03-9/30/04	120,000	120,000
Juvenile Justice Diversion Project	93.958	20040613	10/1/03-9/30/04	60,665	49,512
Person Centered Planning	93.958	20040501	10/1/03-9/30/04	53,306	53,306
Consumer Satisfaction	93.958	20040501	10/1/03-9/30/04	4,000	4,000
Drop in Program Enhancement	93.958	20040501	10/1/03-9/30/04	1,575	1,575
Geriatric Assessment	93.958	20040501	10/1/03-9/30/04	75,000	72,394
Building Natural Supports	93.958	20040501	10/1/03-9/30/04	73,750	46,861
Respite Services	93.958	20040613	10/1/03-9/30/04	2,293	2,293
Total U.S. Department of Health & Human Services					<u>534,667</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE					<u>\$ 534,667</u>

* Denotes a major program

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2004

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Copper Country Community Mental Health Services Board and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Department of Health and Human Services is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the Copper Country Community Mental Health Services Board's federal financial assistance.

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Copper Country Community Mental Health Services Board.
2. No reportable conditions were noted.
3. An instance of noncompliance material to the financial statements of the Copper Country Community Mental Health Services Board was disclosed during the audit (Refer to Section B).
4. No reportable conditions relating to the audit of the major federal award programs are reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for the Copper Country Community Mental Health Services Board expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Copper Country Community Mental Health Services Board were disclosed during the audit.
7. The program tested as a major program was the OBRA, CFDA # 93.778.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Copper Country Community Mental Health Services Board was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

- The following material noncompliance item was noted:

04-1 Condition: The Board was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote P of the financial statements.

Criteria: Internal controls should be in place to ensure expenditures do not exceed appropriations.

Effect: When expenditures exceed appropriations, the Board is in violation of Public Act 621 and there is a potential negative impact on the financial position.

Recommendation: The Board should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

Management Response: Management concurs.

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended September 30, 2004

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM

None were noted.

COPPER COUNTRY COMMUNITY MENTAL HEALTH SERVICES BOARD
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2004

There were no prior year findings or questioned costs relating to the
Copper Country Community Mental Health Services Board's major programs.



ANDERSON, TACKMAN & COMPANY, P.L.C.

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MILWAUKEE

December 16, 2004

To the Members of the Board
Copper Country Community Mental
Health Services Board
Houghton, Michigan 49931

In planning and performing our audit of the financial statements of the Copper Country Community Mental Health Services Board for the year ended September 30, 2004, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. The following comments are not reportable conditions as defined by the AICPA but are management points for which we feel consideration should also be given.

Instances of Non-Compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The Board was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote P.

To the Members of the Board
Copper Country Community Mental
Health Services Board

Page 2

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This report is intended solely for the information and use of the Board's management, and others within the Administration.

We appreciate and would like to thank the Board's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLC
Certified Public Accountants